BEFORE THE PUBLIC UTILITIES COMMISSION



OF THE STATE OF CALIFORNIA

Application of California-American Water Company (U 210 W) for an Order Authorizing a Special Conservation Program and Modifications to Its Rate Design in Its Monterey District, and Authorization to Increase Its Rates for Water Service in Its Monterey District

A.

A0712010

APPLICATION OF CALIFORNIA-AMERICAN WATER COMPANY FOR SPECIAL CONSERVATION PROGRAM AND RATE DESIGN MODIFICATIONS IN THE MONTEREY DISTRICT

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Attorneys for California-American Water Company

Date: December 14, 2007

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Application of California-American Water Company (U 210 W) for an Order Authorizing a Special Conservation Program and Modifications to Its Rate Design in Its Monterey District, and Authorization to Increase Its Rates for Water Service in Its Monterey District

A.

APPLICATION OF CALIFORNIA-AMERICAN WATER COMPANY FOR SPECIAL CONSERVATION PROGRAM AND RATE DESIGN MODIFICATIONS IN THE MONTEREY DISTRICT

Public Utilities Commission ("Commission"), California-American Water Company ("California American Water" or "Applicant") respectfully submits this Application for a special conservation program, proposed rate design modifications, and other related relief in its Monterey District. This application is filed pursuant to the directive in D.06-11-050, in which California American Water was instructed to work with the Monterey Peninsula Water Management District (MPWMD) on conservation plans and efforts.¹

1. STATEMENT OF RELIEF SOUGHT

California American Water filed this application separately and prior to its 2008 general rate case application for the purpose of obtaining expedited relief.² California American Water

D.06-11-050, In the Matter of the Application of California-American Water Company (U 210 W) for an order authorizing it to increase its rates for water service in its Monterey District to increase revenues by \$ 9,456,100 or 32.88% in the year 2006; \$ 1,894,100 or 4.95% in the year 2007; and \$ 1,574,600 or 3.92% in the year 2008; and for an order authorizing sixteen Special Requests with revenue requirements of \$ 3,815,900 in the year 2006, \$ 5,622,300 in the year 2007, and \$ 8,720,500 in the year 2008; the total increase in rates for water service combined with the sixteen Special Requests could increase revenues by \$ 13,272,000 or 46.16% in the year 2006; \$ 7,516,400 or 17.86% in the year 2007; and \$ 10,295,100 or 20.73% in the year 2008; In the Matter of the Application of California-American Water Company (U 210 W) for Authorization to Increase its Rates for Water Service in its Felton District to increase revenues by \$ 796,400 or 105.2% in the year 2006; \$ 53,600 or 3.44% in the year 2007; and \$ 16,600 or 1.03% in the year 2008; and for an order authorizing two Special Requests, 2006 Cal. PUC LEXIS 479 (2006) ("D.06-11-050"), p. 154, Finding of Fact #17.

² California American Water anticipates filing its 2008 general rate case on January 24, 2008.

requests that the Commission issue a final decision on all aspects of this application no later than June 30, 2008, and earlier if possible, since the Monterey Peninsula could suffer from drought conditions early next year. The Commission should expedite the application because the Monterey Peninsula is in the midst of a multi-year rainfall shortage that could severely impact water production. The Seaside Basin adjudication decision has placed California American Water in a position in which it has to reduce water production in the Monterey District or face severe over-drafting penalties. New emergency rates must be authorized as soon as possible so they can be implemented if rationing becomes necessary. Furthermore, a new rate design is needed in the Monterey District to provide adequate incentives to large water users to conserve.

By this application, California American Water seeks:

- > to change the current emergency rate design,
- > to change the current conservation rate design,
- > to establish an emergency rationing rate design,
- > to implement changes to the low-income program,
- > to modify the rate design to create the same rates for customers in Ryan Ranch, Bishop, Hidden Hills and Ambler Park,
- > to implement a full fixed cost Water Revenue Adjustment Mechanism (WRAM)
- > to modify the current Tariff Rule 14.1,
- > to increase the conservation budget,
- > to authorize a surcharge and memorandum/balancing account for all conservation and rationing costs, and
- > to authorize a mutually shared conservation program between California American Water and MPWMD.

Attached hereto as <u>Exhibit A</u> is a table showing the proposed revenue increase by customer class for the conservation program.

2. SB 960 SCOPING MEMORANDUM

- 2.1 <u>Category:</u> Ratesetting
- 2.2 <u>Are Evidentiary Hearings Necessary</u>? Yes. Potentially, there may be factual disputes on material issues, which will necessitate hearings. California American Water intends to introduce the following evidentiary items in support of the application:
 - a. This application, copies of which have been or will be delivered to Commission staff.
 - Prepared witness qualifications and direct testimony of an employee of
 California American Water to support the Applicant's specific requests.
 - Prepared direct witness qualifications and testimony of a consultant retained by California American Water to support certain aspects of Applicant's requests.
 - d. Prepared and oral rebuttal testimony and related exhibits to support
 California American Water's specific requests.
 - 2.3 Are Public Witness Hearings Necessary? Yes.
- 2.4 <u>Issues.</u> The issue is whether Applicant has demonstrated the need for the conservation relief requested in this application.
- 2.5 <u>Schedule.</u> Pursuant to Rule 2.1(c) of the Commission's Rules of Practice and Procedure, California American Water submits the procedural schedule below for the Commission's consideration of the relief requested.

| Day | Event | Date |
|-----|------------------------------------|-------------------|
| 0 | Application Filed | December 14, 2007 |
| 3-5 | Docketing and formal Public Notice | December 17, 2007 |
| 35 | Comments/Protests on Application | January 16, 2006 |
| 45 | Reply to Comments/Protests | January 28, 2008 |

| 49 | Prehearing Conference | January 30, 2008 |
|---------|--|---------------------|
| 50-60 | Public Participation Hearings | February 2008 |
| 50-75 | DRA Reports, Intervenor Testimony, Rebuttal Testimony | February 2008 |
| 70-100 | Formal Settlement Negotiations | February-March 2008 |
| 110-115 | Evidentiary Hearings | April 2008 |
| 135 | Opening Briefs Filed and Served | May 2008 |
| 155 | Reply Briefs Filed and Served | May 2008 |
| 170 | ALJ's Proposed Decision Mailed | June 2008 |
| 190 | Comments on Proposed Decision | June 2008 |
| 195 | Reply Comments | June 2008 |
| 197 | Commission's Agenda | June 2008 |

3. OTHER FORMAL MATTERS AND PROCEDURAL REQUIREMENTS

- 3.1 This proposed application is made pursuant to Section 451 et seq. of the California Public Utilities Code.
- 3.2 Applicant's legal name is California-American Water Company. California American Water's corporate office and post office address is 303 "H" Street, Suite 205, Chula Vista, California 91910.
- 3.3 Applicant California American Water, a California corporation, organized under the laws of the State of California on December 7, 1965, is a Class A regulated water utility organized and operating under the laws of the State of California. California American Water provides water service in various areas in the following California counties: San Diego, Los Angeles, Ventura, Monterey, San Mateo, Santa Cruz, Sonoma, Sacramento, and Placer.
- 3.4 A certified copy of California American Water's articles of incorporation was filed with the Commission on January 6, 1966 in connection with Application 48170. A certified copy of an amendment to California American Water's articles of incorporation was filed with

the Commission on November 30, 1989 in connection with Application 89-11-036. A certified copy of an Amendment to California American Water's Articles of Incorporation dated October 3, 2001 and filed with the office of the California Secretary of State on October 4, 2001, was filed with the Commission on February 28, 2002, in connection with Application 02-02-030. The Articles of Incorporation have not been subsequently amended.

3.5 None of the persons described in Section 2 of General Order No. 104-A has a material financial interest in any transaction involving the purchase of materials or equipment or the contracting, arranging, or paying for construction, maintenance work, or service of any kind to which Applicant has been a party during the period subsequent to the filing of California American Water's last Annual Report with this Commission or to which California American Water proposed to become a party at the conclusion of the year covered by said Annual Report.

4. CORRESPONDENCE CONCERNING PROPOSED APPLICATION

Correspondence and communications concerning this application should be addressed to the following person:

David P. Stephenson Director of Rates & Planning California-American Water Company 4701 Beloit Drive Sacramento, CA, 95838 Telephone: (916) 568-4222 Facsimile: (916) 568-4260 E-Mail: dstephen@amwater.com

Copies of such correspondence and communications should be sent to:

Lenard G. Weiss, Esq.
Lori Anne Dolqueist, Esq.
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Chula Vista, CA 91910

Phone: (619) 409-7703 Facsimile: (619) 409-7701

E-mail: turnerkb@amwater.com

5. NOTICE AND SERVICE

5.1 Within ten days of the filing of this application, California American Water will cause to be published once a notice of the general terms of the proposed increases in a newspaper of general circulation in the area served. Proof of such publication will be filed with this Commission. A proposed notice is attached hereto as Exhibit B. This notice has been provided to the Commission's Public Advisor's Office for review.

5.2 Pursuant to Rule 2.3 of the Commission's Rules of Practice and Procedure, a copy of this application has been served upon the service list attached hereto. Unless otherwise noted on the service list, recipients will receive a copy of the application only, exclusive of the supporting testimony due to its size (over 75 pages), cost of reproduction, and cost to mail. Attached to the copy of the application being served is a Notice of Availability.

6. NECESSITY FOR REQUESTED RELIEF

Applicant is operating its Monterey District under the terms of State Water Resources Control Board (SWRCB) Order WR 95-10 and the recent Seaside Basin adjudication decision, which impose legal and physical water supply limitations and have dramatically reduced the water available to meet California American Water's customer demands. California American Water has previously received Commission approval for the implementation of a Conservation Plan for the Monterey District.³ By this application, California American Water seeks approval of a comprehensive water conservation plan for most portions of its Monterey District to ensure an adequate water supply for customers until a replacement water supply can be developed. The requested relief discussed below is addressed in the Direct Testimony of David P. Stephenson and in the Direct Testimony of David Morse.

³ D.06-11-050, pp. 40-41.

6.1 New Interim Emergency Rate Design for Conservation and Rationing

California American Water seeks authorization to implement a new interim emergency rate design for both conservation and rationing and to implement a specific emergency rate design to be used in cases of future rationing. California American Water proposes the following changes to the implementation criteria for both conservation and rationing:

- 1) Change the implementation procedure to ensure that emergency rates can be implemented either when the year-to-date production targets for the Carmel River and Seaside Basin are exceeded, or when rationing (Stages 4 through 7 of MPWMD Regulation XV) is implemented. This will allow California American Water to implement emergency rates either during a legal or an actual supply shortage, or when water production from the Seaside Basin exceeds the Company's production allocation in the adjudication decision;
- 2) Modify the implementation criteria in Rule 14.1 so that the production data is based on the Company's production from both the Seaside Basin and Carmel River Basin;
- 3) Require that all water service be billed except service to the MPWMD and the Company. This would result in billing for service to certain customers who heretofore have received free service due to contractual circumstances.

6.2 Adopt Permanent Changes to the Existing Conservation and Rationing Rates

California American Water seeks authorization to modify its per-capita rate design in Monterey to establish greater conservation incentives. These increased incentives are necessary to avoid overproduction replenishment assessments from the Seaside Watermaster, and stay below the Carmel River water production limits established by SWRCB Order WR 95-10.

6.3 Proposed Changes to the Low Income Program

California American Water seeks to continue, expand and change the tariff rates for the program currently in place for qualifying low income customers.

6.4 <u>Implementation of a Full Fixed Cost Recovery Water Revenue Adjustment</u> Mechanism Account

California American Water seeks authorization to implement a new full fixed cost recovery mechanism in this application, which would replace the current WRAM. The current WRAM only addresses the difference between the tiered rate design and the traditional Commission rate design. It does not address reduced sales due to conservation. The full fixed cost recovery WRAM is necessary to ensure recovery of all authorized fixed costs regardless of actual sales volume.

6.5 <u>Proposed Conservation Budget</u>

California American Water seeks authorization of the following proposed conservation budget:

- 1) Replace the existing California American Water and MPWMD conservation surcharges with a new combined surcharge effective July 1, 2008. The surcharge shall recover \$1.649 million for July 1, 2008 through December 31, 2008. The surcharge shall recover \$2.267 million per year for 2009 through 2011.
- 2) Create a balancing account for the conservation programs for \$1.649 million for July 1, 2008 through December 31, 2008 and \$2.267 million per year for 2009 through 2011. California American Water proposes a one-way balancing account. Any surplus will be credited to customers in the next general rate case.
- 3) Authorize California American Water to book costs in excess of the balancing account budget in a memorandum account.
- 4) As part of its proposal, California American Water will provide the Commission and DRA with an annual report which will describe water conservation budgets, expenditures and accomplishments.

6.6 New Water Conservation Plan – Tariff Rule 14.1

California American Water seeks authorization of a new Tariff Rule 14.1 Water Conservation Plan for the Monterey District to update the current rule adopted in 1999; and

Tariff Schedule 8.0, which authorized fees and flow restrictor installation. The new rule will implement additional conservation rates at Stage 3, add references to rationing, Stages 4-7, include the Seaside Adjudication production values, include the Laguna Seca area supplies and customers, and authorize the assessment and collection of fees and variations consistent with California American Water and MPWMD implementation of the MPWMD's Regulation XV.

6.7 <u>Rationing Implementation – Need for Surcharge and Balancing Account to Track</u>
Rationing Costs

California American Water and the MPWMD seeks authorization for the following should the MPWMD implement any stage between 4 and 7:

- 1) Implementation of a surcharge that would recover \$2.93 million a year to implement the requirements of rationing.
- 2) Creation of a balancing account of \$2.93 million a year to cover the estimated costs to implement rationing. Funds not spent will be amortized in the next general rate case.
- 3) Creation of a memorandum type account to track the reasonably incurred costs for implementing rationing in excess of the \$2.93 million balancing account.

 Basic to California American Water's request for authority to raise rates in its Monterey District is the fact that, the rate increases requested in this application are just and reasonable.

7. PRAYER

WHEREFORE, California American Water respectfully prays that this Commission issue its findings and an order to the effect that:

- 7.1 The Application is granted;
- 7.2 The rates proposed and requested by California American Water for its Monterey District are fair, just and reasonable;
- 7.3 California American Water also be granted the relief requested in Section 6 of this application and as detailed in the supporting testimony;

- The proceeding be expedited so that the order addressing all issues in this 7.4 application is issued no later than June 30, 2008 due to the urgent need to implement rationing and conservation measures; and
 - For such other and further relief as may be necessary and appropriate. 7.5

Dated: December 14, 2007

Respectfully submitted

Lori A. Dolequist

Attorneys for Applicant California-American Water Company

NOTICE OF AVAILABILITY

The testimony in support of the Application listed below exceeds 50 pages in length. Therefore, pursuant to Rule 1.9(c)(1), California American Water hereby provides this Notice of Availability of the testimony in support of the Application. Upon written request, California American Water will provide a copy of the testimony in support of the Application on parties on whom this Notice of Availability is served. Parties that wish to obtain a copy of the testimony in support of the Application should contact:

Demetrio A. Marquez Steefel, Levitt & Weiss One Embarcadero Center, 30th Floor San Francisco, CA 94111 Tel: (415) 788-0900, x4385 Fax: (415) 788-2019

dmarquez@steefel.com

<u>Testimony in Support of the Application:</u>

- Direct Testimony of David P. Stephenson
- Direct Testimony of David Morse

VERIFICATION

I, the undersigned, say:

I am an officer of CALIFORNIA-AMERICAN WATER COMPANY, a corporation, and am authorized to make this verification for and on behalf of CALIFORNIA-AMERICAN WATER COMPANY, and I make this verification for that reason. I have read the foregoing application, am informed, and believe the matters therein are true, and, on that ground, allege that the matters stated therein are true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed at Sacramento, California, this 14 day of December, 2007.

CALIFORNIA-AMERICAN WATER COMPANY

David P. Stephenson

STEEFEL, LEVITT & WEISS A PROFESSIONAL CORDORATION ONE EMBARCADERO CENTER, 30TH FLOOR · SAN FRANCISCO, CA 94111-3719 Telephone: (415) 788-0900 · Facsimile: (415) 788-2019

PROOF OF SERVICE

I, Darlene Lopez, declare as follows:

I am employed in the City and County of San Francisco, California. I am over the age of eighteen years and not a party to this action. My business address is STEEFEL, LEVITT & WEISS, One Embarcadero Center, 30th Floor, San Francisco, California 94111-3719. On December 14, 2007, I served the within:

PROPOSED APPLICATION OF CALIFORNIA-AMERICAN WATER COMPANY FOR SPECIAL CONSERVATION PROGRAM AND RATE DESIGN MODIFICATIONS IN THE MONTEREY DISTRICT

on the interested parties in this action addressed as follows:

(BY MAIL) By placing such document(s) in a sealed envelope, with postage thereon fully prepaid for first class mail, for collection and mailing at Steefel, Levitt & Weiss, San Francisco, California following ordinary business practice. I am readily familiar with the practice at Steefel, Levitt & Weiss for collection and processing of correspondence for mailing with the United States Postal Service, said practice being that in the ordinary course of business, correspondence is deposited in the United States Postal Service the same day as it is placed for collection. *See attached service list.*

(BY HAND DELIVERY) By causing such envelope to be delivered by hand, as addressed by delivering same to **Specialized Legal Services** with instructions that it be personally served. **See attached service list.**

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration was executed on December 14, 2007, at San Francisco, California.

Darlene Lopez

21462:6629354.1

STATE SERVICE LIST

* Randolph Wu

Legal Division

505 Van Ness Avenue San Francisco, CA 94102

Room 5011

* With Exhibits

VIA HAND DELIVERY

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* Diana Brooks California Public Utilities Commission Water Branch Room 4102 505 Van Ness Avenue San Francisco, CA 94102

* Rami Kahlon, Director Division of Water and Audits California Public Utilities Commission 505 Van Ness Avenue San Francisco, CA 94102

California Public Utilities Commission

Division of Administrative Law Judges

VIA U.S. MAIL

Edmund G. Brown, Jr., Attorney General State of California Department of Justice P.O. Box 944255 Sacramento, CA 94244-2550

Mrs. Sandra Shewry, Director California Department of Health Services Director's Office MS 0000 P.O. Box 997413 Sacramento, CA 95899-7413 Mr. Will Bush, Director Department of General Services Executive Office 707 Third Street West Sacramento, CA 95605-2811

Dr. Mark Horton, Director California Department of Public Health Division of Drinking Water and Environmental Management MS 7400 P.O. Box 997413 Sacramento, CA 95899-7413

MONTEREY DISTRICT SERVICE LIST

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* Fran Farina De Lay & Laredo 389 Princeton Avenue Santa Barbara, CA 93111

A

| Conservation 2009 Increase Percentage | 19,608.7 234.6 1.21% | 3.310 1 | 7.514.1 | 481.5 | 254.0 | 165.7 2.0 | 2,885.6 34.5 | 339.0 | 589.5 | 19.1 | 0.0 | 4.7 | | 36,184.5 433.0 1.21% | 0.0 | 509.6 | 105.4 | 0.0 | 1.1 | 11.0 0.1 1.21% | 4.0 | 48.0 | 768.7 9.2 1.21% | 36953.2 442.2 1.21% | |
|---------------------------------------|------------------------------|-------------------|------------|--------------|------------|--------------|------------------|-------------|---------------------------|-----------------|-------|--------|--------|----------------------|---------------------------|----------------------|---------------|-------|--------------|----------------|-------|---------------|-----------------|---------------------|----------|
| Percentage | 3.79% | 3.79% | 3.79% | 3.79% | 3.79% | 3.79% | 3.79% | 3.79% | 3.79% | 3.79% | | 3.79% | 3.79% | | | 3.79% | 3.79% | | 3.79% | 3.79% | 3.79% | 3.79% | 3.79% | 3.79% | |
| Increase | 708.0 | 119.8 | 271.3 | 17.4 | 9.5 | 0.9 | 104.2 | 12.2 | 21.3 | 0.7 | 0.0 | 14.1 | 18.2 | 1,306.4 | 0.0 | 18.4 | 3.8 | 0.0 | 3.3 | 0.4 | 0.1 | 1.7 | 27.8 | 1,334.2 | |
| Conservation 2008 | 19,374.1 | 3.279.4 | 7,424.1 | 475.7 | 251.0 | 163.7 | 2,851.1 | 334.9 | 582.5 | 18.9 | 0.0 | 385.2 | 497.0 | 35,751.5 | 0.0 | 503.5 | 104.1 | 0.0 | 9.68 | 10.9 | 4.0 | 47.4 | 759.5 | 36511 | |
| Cor 2008 | 18,666.1 | 3.159.5 | 7,152.8 | 458.3 | 241.8 | 157.7 | 2,746.9 | 322.7 | 561.2 | 18.2 | 0.0 | 371.1 | 478.8 | 34,445.0 | 0.0 | 485.1 | 100.3 | 0.0 | 86.3 | 10.5 | 3,9 | 45.7 | 731.8 | 35176.8 | 20,170.7 |
| 2007 | 18,266.7 | 3.091.9 | 6,999.8 | 448.5 | 236.7 | 154.3 | 2,688.1 | 315.8 | 549.2 | 17.8 | 0.0 | 363.2 | 468.6 | 33,708.0 | 0.0 | 474.7 | 98.2 | 0.0 | 84.5 | 10.2 | 3.8 | 44.7 | 716.1 | 34424.1 | 04,474.0 |
| 2006 | 17,842.4 | 3.020.1 | 6,837.2 | 438.1 | 231.2 | 150.7 | 2,625.7 | 308.4 | 536.4 | 17.4 | 0.0 | 354.7 | 457.7 | 32,924.9 | 0.0 | 463.7 | 626 | 0.0 | 82.5 | 10.0 | 3.7 | 43.7 | 699.5 | 33,624.4 | 0,024.0 |
| | Residential PAR Customers | Multi-Residential | Commercial | Hidden Hills | Ryan Ranch | Industrial · | Public Authority | Golf Course | Viscaino Reclamation Tank | Sale for Resale | Other | Ambler | Bishop | TOTAL METERED | Non-Domestic Fire Service | Private Fire Service | Fire Hydrants | Other | Construction | Misc. Service | Rents | Antenna Lease | TOTAL OTHER | TOTAL REVENUES | |

CALIFORNIA AMERICAN WATER COMPANY APPLICATION 07-12-XXX

NOTIFICATION OF CONSERVATION APPLICATION FILING FOR A PROPOSED RATE INCREASE AND CHANGES TO THE CONSERVATION PROGRAM IN THE MONTEREY DISTRICT

On December 14, 2007, California American Water filed an application with the California Public Utilities Commission (CPUC) for a proposed rate increase and changes to the conservation program in its Monterey District (A. 07-12-XXX). This application sets forth a comprehensive water conservation plan for most portions of the Monterey District of California American Water. The comprehensive plan set forth herein is made in coordination with the Monterey Peninsula Water Management District (MPWMD) and is proposed to ensure an adequate water supply for customers in the area until a replacement water supply is developed. An adequate water supply is defined for Monterey as one that meets the physical and legal constraints of the current supply.

In this conservation application filing, California American Water is requesting:

- to change the current emergency rate design,
- changes to the current conservation rate design,
- to establish an emergency rationing rate design,
- changes to the low-income program,
- to modify rate design to create the same rates for customers in Ryan Ranch, Bishop, Hidden Hills and Ambler Park,
- authorization of a full fixed cost Water Revenue Adjustment Mechanism (WRAM)
- to modify the current Tariff Rule 14.1,
- an increase in the conservation budget,
- authorization of a surcharge and memorandum/balancing account for all conservation and rationing costs, and
- authorization for the conservation program to be a mutually shared program between California American Water and MPWMD.

The following table shows the proposed revenue requirement for the conservation program.

| | | ******** | Revenue Requirement | | | | |
|-----------------------|-------------|----------------|----------------------------|----------------------------|--|--|--|
| Customer Class (a) | Year (b) | Program (c) | Revenue Increase (d) | Percent Increase (e) | | | |
| All Classes | 2008 | Conservation | \$1,334,196 | 3.79% | | | |
| All Classes | 2009 | Conservation | \$442,200 | 1.21 % | | | |

Any Year Rationing is Required

All Classes

Rationing

\$2,932,800

8.96%

The CPUC's Process

As part of this proceeding, evidentiary hearings may be held where parties of record will present their testimony and evidence. Evidentiary hearings are open to public spectators, but only formal parties (parties of record) may participate in the hearing by presenting evidence or cross-examining witnesses. The CPUC's independent Division of Ratepayer Advocates ("DRA") will review the recommendations made by California American Water in its final application. Analysts, engineers, economists, and other regulatory professionals are employed by DRA to represent the long-term interests of all utility ratepayers. DRA will prepare an analytical report on this application which will be released sometime in Spring 2008. Please contact the Public Advisor's Office if you would like a copy of that report.

After considering all proposals and evidence presented during the formal hearing process, the assigned Administrative Law Judge will then issue a proposed decision, which the CPUC may accept in whole or in part or may substitute with an entirely different decision. The CPUC's final decision in this matter may be different from the requests made by California American Water.

Public Comment

If Public Participation Hearings ("PPHs") are scheduled, each customer will be notified of the dates, times, and locations. PPHs are one opportunity to express your views regarding California American Water's application to increase its rates and change its conservation program. You may also write or email the Public Advisor's Office as shown below. All communications are circulated to the Commissioners, the assigned Administrative Law Judge and assigned staff. They also become part of the formal correspondence record of the proceeding.

If you want to participate in these proceedings or if you would like to send written comments to the CPUC, please contact the Public Advisor's Office at the address shown below.

Protesting the Application

Anyone wishing to protest this application filing can do so by contacting the CPUC's Public Advisor's Office by telephone, writing a letter or e-mail at the address below. The Public Advisor's Office was established to help consumers to participate in CPUC proceedings. Persons with disabilities who need reasonable accommodations should contact the Public Advisor's Office 3 - 5 days prior to a hearing at: (415) 703-2074 or toll free at 1-866-849-8390, TTY telephone (415) 703-5282 or toll free TTY at 1-866-836-7825. Requests for bi-lingual interpretative services should also be directed to the Public Advisor's Office.

CPUC Public Advisor's Office

505 Van Ness Avenue, Room 2103

San Francisco, CA 94102

1-866-849-8390 (toll free)

(415) 703-2074

E-mail: public.advisor@epuc.ca.gov

21462:6629409.1

Please refer to Application Number 07-12-XXX in any communications.

A copy of the application may be inspected at the business offices of California American Water at 511 Forest Lodge Road, Suite 100, Pacific Grove, CA 93950; or at the CPUC's San Francisco office at 505 Van Ness Avenue San Francisco, CA 94102.